



Federal Accounting Standards Advisory Board

CONFORMING AMENDMENTS TO
TECHNICAL RELEASES FOR SFFAS 50,
*ESTABLISHING OPENING BALANCES
FOR GENERAL PROPERTY, PLANT, AND
EQUIPMENT*

Federal Financial Accounting Technical Release

DRAFT Exposure Draft

Written comments are requested by **TBD 15 - 30 days**

Month day, year

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or "the Board") in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

An accounting standard is typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. The proposed standards are published in an exposure draft for public comment. In some cases, a discussion memorandum, invitation for comment, or preliminary views document may be published before an exposure draft is published on a specific topic. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standard with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information is available from FASAB or its website:

- ["Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board."](#)
- ["Mission Statement: Federal Accounting Standards Advisory Board"](#), [exposure drafts](#), [Statements of Federal Financial Accounting Standards and Concepts](#), [FASAB newsletters](#), and other items of interest are posted on FASAB's website at: www.fasab.gov .

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The Accounting and Auditing Policy Committee

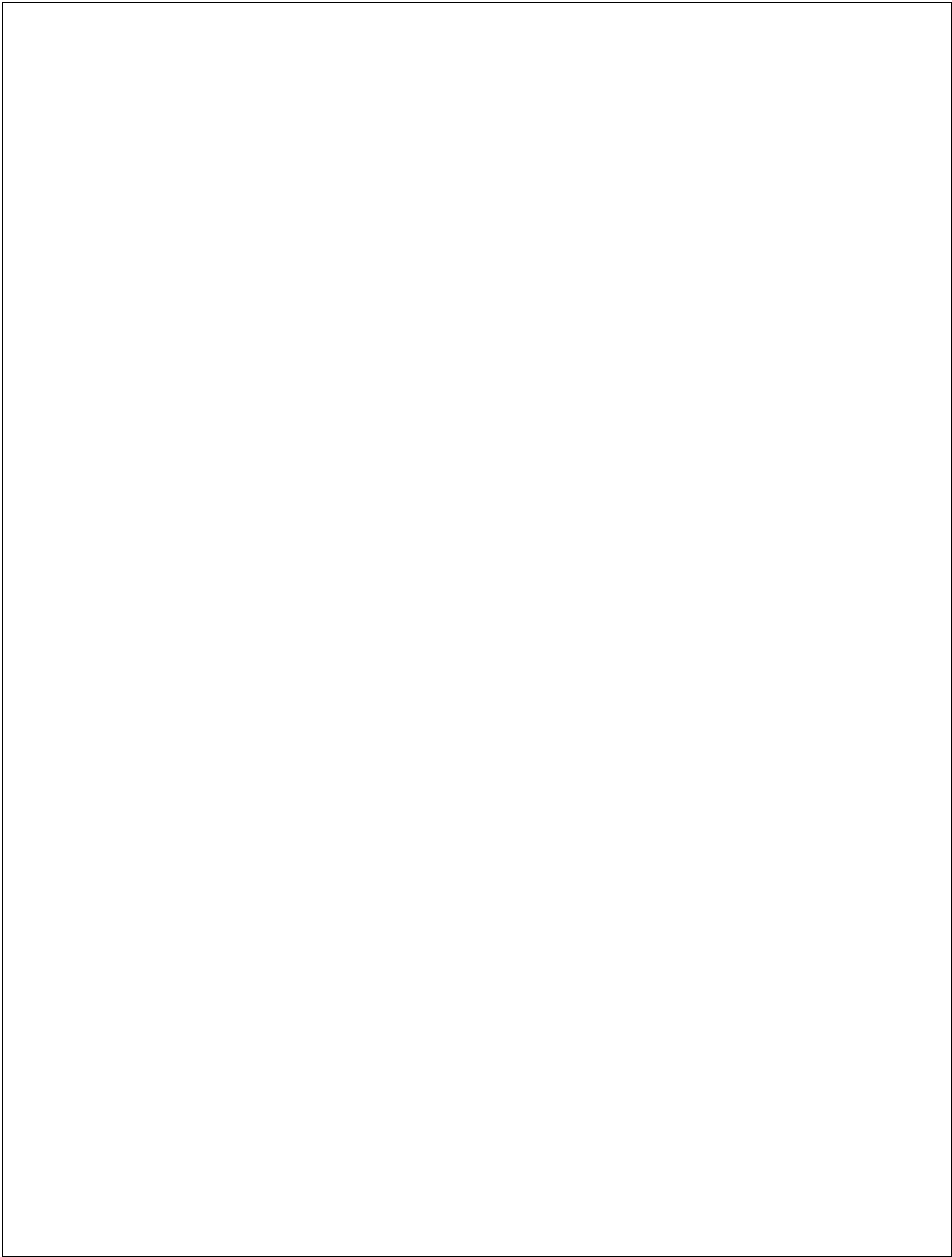
The Accounting and Auditing Policy Committee (AAPC) was organized in May 1997 by the Department of the Treasury, the Office of Management and Budget (OMB), the Government Accountability Office (GAO), the Chief Financial Officers' Council (CFOC), and the Council of the Inspectors General on Integrity and Efficiency (CIGIE—formally the President's Council on Integrity and Efficiency) as a body to research accounting and auditing issues requiring guidance.

The AAPC serves as a permanent committee established by the Federal Accounting Standards Advisory Board (FASAB). The mission of FASAB is to develop accounting standards after considering the financial and budgetary information needs of congressional oversight groups, executive agencies, and the needs of other users of federal financial information. The mission of the AAPC is to assist the federal government in improving financial reporting through the timely identification, discussion, and recommendation of solutions to accounting and auditing issues as they relate to the specific application of existing authoritative literature.

The AAPC is intended to address issues that arise in implementation, which are not specifically or fully discussed in federal accounting and auditing standards. The AAPC's guidance is cleared by FASAB before being published.

Additional background information on the AAPC is available from FASAB or its website:

- ◆ [“Charter of the Accounting and Auditing Policy Committee”](#)
- ◆ [Accounting and Auditing Policy Committee Operating Procedures](#)





Federal Accounting Standards Advisory Board

ISSUE DATE

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

Your comments on the exposure draft of a proposed Federal Financial Accounting Technical Release, *Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment* are requested. Specific questions for your consideration appear on page three, but you are welcome to comment on any aspect of this proposal. If you do not agree with the proposed approach, your response would be more helpful to the Committee if you explain the reasons for your position and any alternative you propose. Responses are requested by **TBD**.

All comments received are considered public information. Those comments may be posted to the AAPC's website and will be included in the project's public record.

Mail delivery is delayed by screening procedures. Therefore, please provide your comments in electronic form by e-mail to fasab@fasab.gov. If you are unable to e-mail your responses, we encourage you to fax the comments to (202) 512-7366. Alternatively, you may mail your comments to:

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6H19
441 G Street, NW
Washington, DC 20548

We will confirm receipt of your comments. If you do not receive confirmation, please contact our office at 202.512.7350 to determine if your comments were received.

We may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft. Notice of the date and location of any public hearing on this document will be published in the Federal Register and in FASAB's newsletter.

Sincerely,

Wendy M. Payne
AAPC Chairperson

EXECUTIVE SUMMARY

Statement of Federal Financial Accounting Standards (SFFAS) 50, *Establishing Opening Balances for General Property, Plant, and Equipment* amended SFFAS 6, *Accounting for Property, Plant, and Equipment*, and SFFAS 10, *Accounting for Internal Use Software*; and rescinded SFFAS 35, *Estimating the Historical Cost of General Property, Plant, and Equipment: Amending SFFAS 6 and 23*.

This Technical Release (TR) would provide amendments to previously issued TRs to acknowledge the rescission of SFFAS 35. It would also clarify that all standards-level implementation guidance for general property, plant, and equipment (with the exception of certain provisions applicable to internal use software) now resides in SFFAS 6, as amended.

Specifically, this TR would provide conforming amendments to the following documents:

- Technical Release 13, *Implementation Guide for Estimating the Historical Cost of General Property, Plant, and Equipment*
- Technical Release 15, *Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment and Allocation*
- Technical Release 16, *Implementation Guidance For Internal Use Software*

The provisions of this TR need not be applied to immaterial items. The determination of whether an item is material depends on the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.

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QUESTIONS FOR RESPONDENTS

The Committee encourages you to become familiar with all proposals in the Technical Release (TR) before responding to the questions in this section. In addition to the questions below, the Committee also would welcome your comments on other aspects of the proposed TR. Because the proposals may be modified before a final TR is issued, it is important that you comment on proposals that you favor as well as any that you do not favor. Comments that include the reasons for your views will be especially appreciated.

The Committee believes that this proposal would improve federal financial reporting and contribute to meeting the federal financial reporting objectives. The Committee has considered the perceived costs associated with this proposal. In responding, please consider the expected benefits and perceived costs and communicate any concerns that you may have in regard to implementing this proposal.

The questions in this section are available in a Word file for your use at <http://www.fasab.gov/documents-for-comment/>. Your responses should be sent by e-mail to fasab@fasab.gov. If you are unable to respond by e-mail, please fax your responses to (202) 512-7366. Alternatively, you may mail your responses to:

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6H19
441 G Street, NW, Suite 6814
Washington, DC 20548

All responses are requested by **[insert date]**.

- Q1. In light of the recently issued Statement of Federal Financial Accounting Standards (SFFAS) 50, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35*, this Technical Release clarifies existing Technical Releases by providing conforming amendments (**see paragraph 3-11 and paragraph A5-A8**). These amendments acknowledge the rescission of SFFAS 35 and that all standards-level implementation guidance for general property, plant, and equipment (with the exception of certain provisions applicable to internal use software) now resides in SFFAS 6.

Do you agree or disagree that this Technical Release clarifies the technical guidance? Please provide the rationale for your answer.

- Q2. Are there additional amendments or issues that should be considered in this Technical Release? If so, what are they, and how would you describe them? Please provide the rationale for your answer.

PROPOSED TECHNICAL GUIDANCE

SCOPE

1. Readers of this Technical Release (TR) should first refer to the hierarchy of accounting standards in Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*. This TR supplements the relevant accounting standards but is not a substitute for and does not take precedence over the standards.
2. The amendments addressed in this TR conform the following documents to the provisions of Statement of Federal Financial Accounting Standards (SFFAS) 50, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35*:
 - Technical Release 13, *Implementation Guide for Estimating the Historical Cost of General Property, Plant, and Equipment*
 - Technical Release 15, *Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment and Allocation*
 - Technical Release 16, *Implementation Guidance For Internal Use Software*

AMENDMENTS TO EXISTING TECHNICAL RELEASES

TECHNICAL RELEASE 13, *IMPLEMENTATION GUIDE FOR ESTIMATING THE HISTORICAL COST OF GENERAL PROPERTY, PLANT, AND EQUIPMENT*

3. This paragraph rescinds paragraphs 1-10 (including all section titles and subsection titles contained within the introduction and background sections) of Technical Release 13, *Implementation Guide for Estimating the Historical Cost of General Property, Plant, and Equipment*, to eliminate potentially confusing references to the rescinded SFFAS 35, *Estimating the Historical Cost of General Property, Plant, and Equipment: Amending Statements of Federal Financial Accounting Standards 6 and 23*, and amended portions of other Statements.

[¹ Footnote 1 was rescinded by TR XX, *Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment*.]
4. This paragraph amends the technical guidance section of TR 13 by adding the subheading “scope” and inserting paragraphs 10a-10c directly under “technical guidance.”

Technical Guidance

Scope

10a. Readers of this Technical Release (TR) should first refer to the hierarchy of accounting standards in Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*. This TR supplements the relevant accounting standards but is not a substitute for and does not take precedence over the standards.

10b. SFFAS 6, *Accounting for Property, Plant, and Equipment*, (as amended) provides that reasonable estimates may be used to establish historical cost of general property, plant, and equipment (PP&E) in accordance with the asset recognition and measurement provisions within SFFAS 6. This is also applicable to internal use software when the software meets the criteria for general PP&E in accordance with SFFAS 10, *Accounting for Internal Use Software*.

10c. SFFAS 50, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35*, amended SFFAS 6 to allow a reporting entity, under specific conditions, to apply alternative valuation methods in establishing opening balances for general PP&E.

5. This paragraph further amends the technical guidance in TR 13 by adding the subheading “effective date” and inserting the following paragraph directly under the scope section added in paragraph 6 above as follows:

Effective Date

10d. This Technical Release is effective upon issuance.

6. This paragraph amends the examples of practice provided in TR 13 by replacing paragraphs 11 and 12 with the following text:

11. The examples outlined in this guide illustrate the use of various estimating methodologies to derive the historical cost of general PP&E in accordance with SFFAS 6, as amended. Although the measurement basis for valuing general PP&E remains historical cost, reasonable estimates may be used to establish the historical cost of general PP&E, in accordance with the asset recognition and measurement provisions of SFFAS 6, as amended.^{1A}

12. Reasonable estimates may be based on
 - a. cost of similar assets at the time of acquisition;

^{1A} SFFAS 50, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35*, provides for deemed cost to be used for opening balances in some cases. Estimating historical cost is one of several deemed cost valuation methods. This TR addresses the estimation of historical cost and does not address other acceptable deemed cost methods.

- b. current cost of similar assets discounted for inflation since the time of acquisition (that is, deflating current costs to costs at the time of acquisition by general price index); or
- c. other reasonable methods, including latest acquisition cost and estimation methods based on information such as, but not limited to, budget, appropriations, engineering documents, contracts, or other reports reflecting amounts to be expended.

[^{2, 3, 4} Footnotes 2-4 were rescinded by TR XX, *Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment.*]

12a. In some cases, the in-service date must be estimated. In estimating the year that the base unit was placed in service, if only a range of years can be identified, then the midpoint of the range is an acceptable estimate of the in-service date.

TECHNICAL RELEASE 15, *IMPLEMENTATION GUIDANCE FOR GENERAL PROPERTY, PLANT, AND EQUIPMENT COST ACCUMULATION, ASSIGNMENT AND ALLOCATION*

7. This paragraph amends Technical Release (TR) 15, *Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment and Allocation*, by revising the last sentence of paragraph 12 as follows: “This Technical Release clarifies but does not change guidance provided in SFFAS 4 or SFFAS 6 (as amended). ~~SFFAS 23, or SFFAS 35.~~”

The revised paragraph 12 of TR 15 is:

Readers of this Technical Release should first refer to the hierarchy of accounting standards in SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*. This Technical Release supplements the relevant accounting standards, but is not a substitute for and does not take precedence over the standards. This Technical Release clarifies but does not change guidance provided in SFFAS 4 or SFFAS 6 (as amended).

8. This paragraph amends TR 15, paragraphs 1 and 14, by updating it for the amended SFFAS 6, paragraph 26, language and adding “as amended” after SFFAS 6. The following language was added as the second sentence of SFFAS 6, paragraph 26: “Although the measurement basis for valuing general PP&E remains historical cost, reasonable estimates may be used to establish the historical cost of general PP&E, in accordance with the asset recognition and measurement provisions herein.”

The revised paragraph 1 of TR 15 is:

1. Statement of Federal Financial Accounting Standards 6 (SFFAS 6), *Accounting for Property, Plant, and Equipment*, (as amended) outlines the recognition requirements for

general property, plant, and equipment (G-PP&E) except for internal use software. Paragraph 26 states that,

“All general PP&E shall be recorded at cost. Although the measurement basis for valuing general PP&E remains historical cost, reasonable estimates may be used to establish the historical cost of general PP&E, in accordance with the asset recognition and measurement provisions herein. Cost shall include all costs incurred to bring the PP&E to a form and location suitable for its intended use.”

The AAPC G-PP&E cost accounting issues subgroup was developed to address a request for implementation guidance for these requirements.

The revised paragraph 14 of TR 15 is:

14. SFFAS 6 (as amended), paragraph 26 states:

All general PP&E shall be recorded at cost. Although the measurement basis for valuing general PP&E remains historical cost, reasonable estimates may be used to establish the historical cost of general PP&E, in accordance with the asset recognition and measurement provisions herein. Cost shall include all costs incurred to bring the PP&E to a form and location suitable for its intended use. For example, the cost of acquiring property, plant, and equipment may include...

9. This paragraph rescinds paragraph 10 (and the preceding title ‘Related Accounting Literature’) of TR 15.

TECHNICAL RELEASE 16, *IMPLEMENTATION GUIDANCE FOR INTERNAL USE SOFTWARE*

10. This paragraph rescinds paragraph 7 (and the preceding title ‘Related Accounting Literature’) of TR 16, *Implementation Guidance for Internal Use Software*.
11. This paragraph amends Technical Release 16, paragraph 8, by revising the last sentence as follows: “This TR clarifies but does not change guidance provided in SFFAS 4, 5, 6 (as amended), or 10, ~~and 35.~~”

The revised paragraph 8 of TR 16 is:

Readers of this Technical Release (TR) should first refer to the hierarchy of accounting standards in Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*. This TR supplements the relevant accounting standards but is not a substitute for and does not take precedence over the standards. This TR clarifies but does not change guidance provided in SFFAS 4, 5, 6 (as amended), or 10.

EFFECTIVE DATE

12. This Technical Release is effective upon issuance.

The provisions of this Technical Release need not be applied to immaterial items.

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Committee members in reaching the conclusions in this Technical Release. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The guidance enunciated in this Technical Release—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

This Technical Release may be affected by later Statements or other pronouncements. The Handbook is updated annually and includes a status section directing the reader to any pronouncement that changed this Technical Release. Within the text of the Technical Release, the guidance sections are updated for changes. However, this appendix will not be updated to reflect future changes. The reader can review the basis for conclusions of the amending Statements or other pronouncements for the rationale for each amendment.

PROJECT HISTORY

- A1. SFFAS 50, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35*, was issued August 4, 2016. SFFAS 50 amended several Statements and rescinded SFFAS 35, *Estimating the Historical Cost of General Property, Plant, and Equipment: Amending Statements of Federal Financial Accounting Standards 6 and 23*.
- A2. As a result of these amendments and rescission, all standards-level implementation guidance for general PP&E, with the exception of specific provisions applicable to internal use software, now resides in SFFAS 6, *Accounting for Property, Plant, and Equipment* (as amended). The Board concluded that providing implementation guidance for general PP&E other than internal use software in SFFAS 6 provides a comprehensive guide for users in a single Statement.
- A3. During the due process of SFFAS 50, exposure draft respondents expressed concern about the rescission of SFFAS 35. These respondents relied on the guidance it provided and worried about audit issues that might result upon its rescission. TR 13, *Implementation Guide for Estimating the Historical Cost of General Property, Plant, and Equipment*, remains in effect regardless of these amendments. In addition, each significant provision of SFFAS 35 was incorporated in the amendments of TR 13, 15, and 16—including the ability to use estimates in the future.
- A4. Comments received during due process made it apparent that users rely on the technical guidance provided in TR 13 when developing reasonable estimates. Further, TR 15, *Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment and Allocation*, provides illustrations and implementation guidance related to recognition requirements for programmatic, managerial, administrative, and other elements

of program costs incurred during the general PP&E lifecycle, as well as decisions regarding the granularity of cost information and acceptable methods for recognizing those costs.

AMENDMENTS TO EXISTING TECHNICAL RELEASES

A5. It was appropriate to update previously issued TRs to acknowledge the rescission of SFFAS 35 and that all standards-level implementation guidance for general PP&E (with the exception of certain provisions applicable to internal use software) resides in SFFAS 6 (as amended).

A6. The conforming amendments apply to the following documents:

- Technical Release 13, *Implementation Guide for Estimating the Historical Cost of General Property, Plant, and Equipment*
- Technical Release 15, *Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment and Allocation*
- Technical Release 16, *Implementation Guidance For Internal Use Software*

A7. The Committee believed it appropriate to amend relevant sections of the TRs that discussed SFFAS 35 and other sections that referenced implementation guidance for general PP&E. The Committee removed language (from areas such as the introduction and background) because of the lengthy discussion and reference to the rescinded SFFAS 35 and portions of amended Statements. The Committee believed allowing the paragraphs to remain would be inconsistent with current GAAP references and lead to potential misapplication of the technical guidance.

A8. SFFAS 50 allows a reporting entity, under specific conditions, to apply alternative valuation methods in establishing opening balances for general PP&E. A separate TR will be issued that addresses SFFAS 50 implementation issues associated with the alternative methods of arriving at deemed cost.

APPENDIX B: ABBREVIATIONS

AAPC	Accounting and Auditing Policy Committee
CFOC	Chief Financial Officers' Council
CIGIE	Council of the Inspectors General on Integrity and Efficiency
FASAB	Federal Accounting Standards Advisory Board
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
G-PP&E	General Property, Plant, and Equipment
OMB	Office of Management and Budget
PP&E	Property, Plant, and Equipment
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards
TR	Technical Release

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